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Author(s): John Hays Hammond

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THE DEVELOPMENT OF OUR LATIN-AMERICAN TRADE

By Hon. John Hays Hammond, LL.D.

It is unfortunate that the solution of great problems purely economic in character is not entirely dissociated from party politics, but such is, nevertheless, the fact. Legislation affecting the tariff, the currency and other problems essentially economic and vital to the welfare of the entire nation is determined too often on strictly political lines—settled, indeed, in a large measure by politicians upon the stump, not by business men in boards of trade.

What I shall say with respect to foreign trade is from the point of view of a business man and I assure you that any criticisms I make which may seem suggestive of partisanship are made entirely free from political bias.

I have been requested to speak of our government's Mexican policy, but, in view of the critical condition of negotiations now pending with Mexico, I would prefer to speak of foreign trade in general. I would say this, however, that, irrespective of what we may think individually of President Wilson's Mexican policy in the present serious situation, we must back him up collectively.

"As a great industrial nation, especially in manufactured products, the United States leads the world. Of the value of these products in the year 1910, amounting to \$20,000,000,000, our home market absorbed \$19,000,000,000, or 95 per cent, and our exports amounted to \$1,000,000,000, or only 5 per cent." Authorities regard this as nearing the limit—that is to say, the point of saturation—of our domestic markets, so far as present demands during normal periods are concerned. It is because of the extraordinary capacity of our home markets that our nation hitherto has made no strenuous efforts to exploit foreign markets. Great Britain and Germany, on the other hand, with comparatively

restricted domestic markets, have paid more attention to the development of foreign trade, and for that reason the value of the annual exports "of each of these nations has exceeded that of the United States by 30 per cent."

A new tariff has been recently enacted. It will result, as was designed, in an increased importation of manufactured products, aggregating, probably, a very large amount. The inevitable effect of such imports will be to restrict the capacity of our home markets for domestic products. (I am not discussing the merits of the new tariff, but referring only to its inevitable effect in this one particular.)

Therefore, having regard to these facts, it is obvious that we must either curtail the capacity of our factories, which would result in throwing out of employment hundreds of thousands of wage earners, or we must depend upon the exploitation of foreign markets for the relief of our congested industries.

In her foreign trade Great Britain has followed the lines of least resistance. In the year 1911 she exported to British colonies and possessions (where she enjoyed preferential tariff rates), 35 per cent of her entire exports; while only 30 per cent was sent to other manufacturing countries having a protective tariff, and of the remainder, a large part of her exports was to countries where there was no competition on the part of home industries, i.e., to neutral markets.

America and Germany, on the other hand, have succeeded in developing trade with countries which have highly organized competitive industries in the same lines of merchandise; that is, America and Germany have "bucked the center," while England has "played the ends." Conformably with this policy Great Britain has given special attention to the development of markets in South America. Until recently her supremacy there was acknowledged, but the extraordinary development of German trade during the past few years has threatened the predominance of English interests in that quarter.

I agree with the optimism which has been expressed as to the great opportunity offered the United States for the development of important markets in South America, and

especially on the West Coast, after the opening of the Panama Canal. But we shall undoubtedly have to meet the keen competition of England and Germany and we must be prepared to meet other formidable competitors as well—Japan, for example, which is already gaining a firm commercial foothold even on the eastern coast of South America.

In the extension of her South American trade, Great Britain has given us an object lesson. Within a decade she has trebled her exports to Brazil and to Argentina. While this increase is in a large measure due to special efforts in the exploitation of those markets, it is, nevertheless, the fact—and this is a point I wish to emphasize—that the increase is chiefly due to the investment of enormous sums of British capital in the development of the industries of those countries. Likewise, the experience of Great Britain in many other countries where British capital has been invested demonstrates the proposition that trade follows the investment of a nation's capital as well as a nation's flag. In short, the investment of a nation's capital in foreign countries for the development of their industries is the sesame that opens the door of trade. How wide the door of trade will be opened depends upon the success attending that nation's efforts in securing rapid and cheap communication and transportation; in providing the character of commodities needed by the countries in question; in the establishment of banking facilities to meet the requirements both of the exporter and the importer, and, finally, in the fostering of friendly relations by intimate intercourse between the citizens of the respective nations.

Now, in order to stimulate the investment of capital in foreign lands it is prerequisite that the investor be assured of protection by his government against any unfair interference or discrimination on the part of foreign governments where these investments are made.

If our nation is to pursue a policy of *laissez-faire* and decline to assume its obligation to afford legitimate protection to its nationals, then its nationals will not be so foolhardy as to risk capital in the development of foreign industries. Or if, in spite of the lack of protection from their govern-

ment they nevertheless decide to make such investments, they will do so under the auspices of the flags of other nations which guarantee to their subjects proper protection of life and property.

This may be deprecated as "dollar diplomacy," and I would not have such an imputation, because of the insidious interpretation that has been given by sentimentalists to commercial activities in foreign countries where the avowed subject is to develop remunerative business. If we are to enjoy our share of the commerce of the world our diplomatic relations must be conducted upon lines which we may perhaps designate by a more euphemistic title, but which essentially must be for the object of legitimate gain; for the investment of capital in the development of the industries of foreign countries is not actuated solely by altruistic considerations, nor is business at home, for that matter, conducted under any such Utopian theory.

It will not be necessary for our government to assume a truculent attitude towards the smaller nations where investments may be less securely established than in other countries more highly developed politically and industrially. Nor is it expected that our government should in any way guarantee the success of commercial enterprises; for business men are willing to assume legitimate risks in their investments. But it is, as I have said, nevertheless imperative that our government guarantee the fair treatment of its nationals who have invested their capital in legitimate industry under laws obtaining in the country when the investments in question were made. Certain it is that laws resulting in the confiscation of property legally acquired do not justify a great nation in repudiating its obligations to obtain the redress of legitimate grievances of its citizens. And certain it is, also, that our nation, if it hopes to compete with other great nations in the development of foreign markets, must accord to its citizens at least the same guarantee of the protection of life and property as is accorded the nationals of our competitors in commerce.

With all deference, I beg to differ with the President of the United States as to the opinions he expressed a few

weeks ago in what is known as the "Mobile Declaration," when he states that "interests do not tie nations together—sometimes separate them—but sympathy and understanding do bind them together." *Ipsissima verba*.

Sympathy and understanding are admittedly essential to binding nations together, but I cannot apprehend how sympathy and understanding can be developed without that intimate intercourse which best results from commercial relations.

The suggestion is certainly idealistic, but I believe that sentimental ties that do not result from community of interests are far too tenuous to withstand the strain of inherent racial and religious antipathies.

What is more idealistic—sublime—than the conception that "marriages are made in heaven;" and yet even the closest philosopher, married or unmarried, knows that that sympathy and understanding which is essential to happy marriages, despite their divine origin, can be developed only by intimate intercourse and by community of interests.

It is community of interests upon which we must depend to maintain the world's peace.